

End to Central Control Advocated

Soviet Study Urges Economic Changes

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MOSCOW, Aug. 2—A confidential study prepared for the Kremlin leadership has called for a fundamental reform of the Soviet economy and asserted that its centralized management system can no longer ensure the "full and effective use of the society's intellectual and labor resources."

The document, printed in 70 numbered copies and made available here, provides an unusual insight into internal Kremlin debates over how to rescue the economy from the

stagnation that has afflicted it during the past few years.

In contrast to published accounts that focus on various impediments to economic growth—ranging from a lack of incentives to shortages of skilled personnel—the 30-page study's main argument is that the existing system itself is now acting as a "brake" to further development.

The study was presented in April at one of a series of closed-door seminars organized by the Soviet Academy of Sciences, economic sections of the Communist Party Central Committee and the Gosplan, or the

state planning commission. These seminars involved the country's top economic officials, managers and economists.

It is not known what other points of view were articulated at these conferences. The fact that the system itself was being questioned, however, suggests the scope of the discussions and the concern over the economy.

Yuri Andropov, the new Soviet leader, subsequently endorsed reformist tendencies in a June speech

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Kremlin Study Urges Broad Reform

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in which he asserted that changes in the economy are "inevitable" and that the economy was so far managed on an "irrational trial-and-error" basis.

While Andropov appears to have embraced the assessments of reformist elements as to the weaknesses of the country's economy, he has not necessarily endorsed their prescription for a broad decentralization. There are indications, however, that he is gingerly moving in that direction.

The clearest such indication came last month when the government inaugurated partial reforms to free industry from rigid central control and boost production. These reforms, known here as "economic experiments," involve the country's heavy and transport machinery industries as well as electro-technical industries. Also involved are the food industries of the Ukraine, Byelorussia, light industry and local industry of Lithuania.

The "experiments" provide for a freer role for the enterprises in deciding how to reward workers, introduce labor-saving technology and plow profits back into production. The enterprises will be involved in "all stages of planning," be allowed to change their systems of financial incentives and generally be given more independence from the central authorities.

All this suggests that the Soviet leader is determined to modernize the country's economic structure. It is by no means clear whether he is prepared to go as far and quickly in the direction suggested by the study.

The Soviet economy, the study asserted, "has long passed the point where it was possible to regulate it effectively from a single center."

It said that some of the basic ideological assumptions have become dated or irrelevant. In particular, it challenged the notion that economic changes can be carried out "without social conflicts" because "under socialism there are no groups" without vested economic interests. "An analysis of the past decades of the development of our economy," it said, "forces us to

cast doubts on this point of view. A fundamental restructuring of the system of economic management touches significantly on the interests of many social groups, some of which see in it hopes for an improvement in their positions while others see a worsening of their status. Further attempts to reform the economy—made by Nikita Khrushchev and later by Alexei Kossygin in the 60s—"did not take into account changes that had taken place in the country. This was, we believe, one of the reasons that they ended up in failure," the report states.

The study identified the huge state bureaucracy as the main opponent of any reforms. There are an estimated 3 million Communist Party members employed at various levels in the bureaucracy.

Some officials, the study said, fear reforms because of their lack of education. Others are afraid that they will lose their lucrative jobs. The first group, it said, includes people whose power and duties would increase. But, it added, they are afraid because the economic system of management requires higher qualifications than the currently administrative system.

The second group fears the prospect of losing their warm places that they now occupy, and in which their scope of responsibility is little understood while at the same time they are making considerable incomes.

Opponents of economic changes, the document said, are putting forward "unfounded" arguments that a gradual shift to a strengthened economic management system would "weaken the centralized principle and the real importance of the plan. They are in reality afraid of losing their power and positions," the study said.

The main source of current economic problems here, according to the study, is a wide gulf between the state planning commission in Moscow and individual economic units such as private enterprises and collective farms.

An array of institutions, ministries, commissions and inspection teams occupy intermediate positions between the Gosplan and the individual economic units. It is these intermedi-

ate bureaucratic units that have "maneuvered" over the past decades without any productive service to the society, the study reported.

In making an argument for economic decentralization, the document asserted that the vast bureaucratic structure is largely responsible for the steady decline in labor productivity and growth.

Analyzing the relations between "the strictness of administrative methods and an effective economic development," the study asserted that "stricter control over all aspects of worker activities" has a negative impact on productivity.

"The increase in administrative discipline heightens the need for administrative controls," it said. "The state consequently creates additional oversight systems, adding to the 'unproductive' pool of labor and 'reducing the economic effectiveness' of economic enterprises."

Moreover, the report states that regulations established in Moscow frequently do not take into account concrete conditions in various regions or individual enterprises.

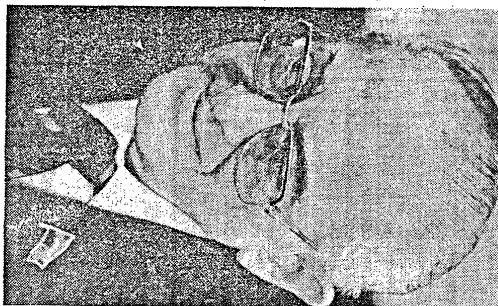
It adds, "In practice such rules are not observed" and lead to lax labor practices, "the restriction of creative forces at work, limiting economic and technical initiative of the workers and channeling their personal interests away from their jobs to their family, leisure time and own economy."

To switch the economy to an "intensive" state "is possible only if one permits the realization of all existing social reserves and creative potential of workers," the report states.

The current system was created by Josef Stalin in the 1930s, the study said. "That was a social system in which the people were consistently regarded as 'servants' in the economic mechanism and they behaved almost as obedient (and passively) as machines and resources."

Since that period, however, the political and economic situation in the Soviet Union has changed, the report states.

"This system was corrected, renewed and improved but it was not once subjected to a



YURI ANDROPOV

calls Soviet economic change "inevitable" qualitative restructuring to reflect fundamental changes in the condition of productive forces," it continues.

"But at the root of the problem lies a broader cause. We believe that is mainly a decline in the system of production relations as it is reflected in the state mechanism of economic management, or in effect the inability of this system to ensure a full and sufficiently effective use of the society's intellectual and labor resources."

In the 1930s, the study said, the centralized system had its "advantages," and a developing economy was able to respond to commands "from the top." But the report states that the modern Soviet economy is far more complex—the increase in technological demands are now accompanied by a "decrease in the efficiency of the centralized system of management, based on administrative regulations."